

# Appendix A: Sample Export Plan

## Company

### *Goals*

- Increase company sales by five percent.
- Locate a distributor for our product in one target market every year.
- Participate in the global marketplace, taking advantage of the 96 percent of world consumers that live outside of the United States.
- Show a profit in our export initiative within three to five years.

### *Financial Resources*

- Annual capital budget of \$35,000.
- Half-time staff position.
- Three- to five-year minimum commitment.
- Potential of Branded program funds through state, regional trade group.

### *Non-financial Resources*

- Product inquiries from Canada, Mexico, Taiwan.
- Staff expertise:
  - One Spanish speaking staff member.
  - Several staff members with travel experience in Canada, Mexico, and Europe.
  - One staff member with family currently living in New Zealand.
  - One staff member trained in export readiness class and willing to take additional classes.
- Additional human resources:
  - Company will consider hiring a consultant.
  - Company will consider hiring a new employee to support exporting.
- One distributor that has sold our Export Cookies to a grocery store in Canada.
- Experience with requesting and checking references of potential buyers.

### *Current Trends And Practices*

- Our company growth has been three percent per year for the past five years.
- Our product is currently sold nationally, through distributors, to retail outlets, hotels, and airlines.
- Our current promotional strategies include shelf talkers, coupons, and in-store promotions.

### *Production Capacity*

- Sufficient capacity to increase sales by 25 percent.

## Target Market

(Source: *World Trade Atlas*)

### Potential Markets for Non-Frozen Cookies

Mexico shows strong potential not because of the value of the market but the growth in sales and the value of the U.S. share of the market.

Leading 15 Country Markets	2001 Rank (Global)	1999 to 2001 % Change (Global)	% U.S. Market Share 2001	Millions of U.S. Dollars		
				1999	2000	2001
France	1	-3.69%	0.27%	396.56	374.03	381.90
Germany	2	-4.33%	0.13%	307.75	261.09	294.41
United Kingdom	3	0.26%	0.55%	227.72	205.56	228.33
Belgium	4	-6.66%	0.23%	212.89	186.34	198.70
Canada	5	10.20%	64.2%	123.53	130.19	136.13
Italy	6	-3.40%	0.009%	109.50	95.00	105.78
Netherlands	7	-6.63%	0.03%	101.43	96.21	94.71
Ireland	8	0.27%	0.02%	92.60	95.38	92.84
Spain	9	13.30%	0.34%	78.73	92.83	89.24
Austria	10	-16.2%	0.002%	93.16	79.71	78.01
Mexico	11	72.40%	44.6%	32.08	46.09	55.32
Portugal	12	-20.70%	-	47.16	40.43	37.38
Denmark	13	-25.20%	0.65%	49.21	42.58	36.78
Sweden	14	1.14%	0.13%	35.75	31.38	36.16
Switzerland	15	-3.49%	1.46%	36.28	33.58	35.01

Note: As of 2002, HS Code 1905300040 for Cookies (Sweet Biscuits), Waffles and Wafers was replaced by HS Code 1905310000 for Cookies (Sweet Biscuits) and by HS Code 1905320000 for Waffles and Wafers. The table above provides HS codes at the six-digit level instead of at the more specific ten-digit level.

## **Market Assessments**

(Source: CIA World Fact Book and The Economist)

<b>Country</b>	<b>Population 2002 est. (in millions)</b>	<b>GDP (2002 est.)</b>	<b>GDP growth rate (2002 est.)</b>	<b>GDP per capita (2002 est. at market exchange rate)</b>
France	59.7	\$1.44 trillion	1.2%	\$24,014
Germany	83.2	\$1.92 trillion	0.2%	\$24,301
United Kingdom	59.7	\$1.56 trillion	1.8%	\$26,002
Belgium	10.2	\$246 billion	0.7%	\$24,000
Canada	31.9	\$727.8 billion	3.4%	\$23,167
Italy	57.7	\$1.19 trillion	0.4%	\$20,500
Netherlands	16.0	\$419.6 billion	0.2%	\$26,065
Ireland	3.8	\$122.7 billion	6.3%	\$31,148
Spain	40.0	\$655.7 billion	2.0%	\$16,170
Austria	8.1	\$205.1 billion	1.0%	\$25,046
Mexico	103.4	\$637.0 billion	0.9%	\$6,2457
Portugal	10.0	\$122.3 billion	0.4%	\$12,181
Denmark	5.3	\$155.5 billion	1.8%	\$29,000
Sweden	8.8	\$240.7 billion	1.9%	\$26,917
Switzerland	7.3	\$267.5 billion	0.1%	\$36,535

## ***Best Target Market – Mexico***

(Source: FAS Exporter Guides - Mexico – Last version – October 2003 - <http://www.fas.usda.gov/gainfiles/200209/145986192.pdf>.)

Updates can be found at <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>. Other sector guides, such as “Retail” and “Snack Foods” are also available.

### Economic Overview

Mexico's economy rebounded from a stagnant GDP growth rate in 2001 to a growth rate of about 1 percent in 2002. Projections for 2003 are for annual growth to be between 1.6 and 1.7 percent. This is in sharp contrast to the growth Mexico experienced in the late 1990's. Between 1996 and 2000, Mexico achieved annual economic growth of 5.5 percent, and retail sales increased almost 5 percent annually. Currently, the Mexican economy is showing mixed signals of recovery. Retail sales, which did not grow in 2002, have been strong in 2003, and are projected to grow 3.7 percent for the year. However, the official unemployment rate has grown to 3.5 percent, its highest level in eight years. Most experts are projecting that the Mexican recovery from the stagnant growth in 2001 will continue, but are tying this recovery to continued strengthening in the U.S. economy.

Weakness in the Mexican retail sector in 2002 negatively affected sales of certain high value U.S. products such as snack foods, the sales of which dipped almost 50 percent in 2002. Sales of U.S. consumer-oriented products overall fell 13 percent in 2002, though some high value products such as meats and fresh vegetables continued to reach record levels. Sales of intermediate agricultural products continued to grow, reaching record levels in 2002, reflecting the continued growth of Mexico's food processing sector.

Highlights for sales of U.S. Agricultural Fish and Forestry Products to Mexico from January to July, 2003:

- All product categories: bulk, intermediate, consumer ready, and forest and fish products are showing good to modest growth in export value in the first seven months of 2003, as compared to the same period in 2002.
- Consumer ready product sales are recovering from the dip in 2002, with an increase in sales of 8 - 9 percent from January to July 2003 as compared to 2002.
- Fish and seafood product exports for the first seven months of 2003 are up 27 percent in comparison with the same period last year, and sales in 2002 reached record levels.
- From January to July 2003 products showing a substantial increase in sales as compared to the same period in 2002 include: soybeans and products, cotton, coarse grains, wheat and wheat flour, snack foods and processed fruits and vegetables.

It is important to recognize that even in light of periodic variations, the overall direction of sales is positive. Increasing per capita income levels in Mexico and the effects of NAFTA have had a large impact on U.S. and Mexico trade. Total trade between Mexico and the United States jumped from \$81 billion in 1993 to \$233 billion in 2002. Almost 67 percent of overall Mexican imports come from the United States and 74 percent of Mexico's agricultural imports are from the United States. Almost all import duties have been lowered to zero for U.S. products as of January 1, 2003. Despite concerns that Mexico would move to protect its domestic producers by blocking full implementation of NAFTA, most products that were eligible entered Mexico at the duty-free rate without impediments in 2003. Mexico continues to provide a market full of opportunity for U.S. agricultural exports.

Demographic changes in Mexico also bode well for increasing exports. Women continue to join the workplace in larger numbers, which leads to increased demand for consumer-ready food products. In 1990 approximately 30 percent of women were employed, in 1997 this increased to 39.4 percent, and the most recently reported figure, 2000, indicate that 44.6 percent of women

from the ages of 15-64 are working outside the home. This figure is generally higher in the eight cities with populations of over 1 million. In addition, about 50 percent of Mexico's population is between 15 and 44, a population that is moving to the cities in greater numbers, and is purchasing a larger proportion of their food requirements at large retail markets and convenience stores. These retail businesses represent the best sales venues for U.S. exporters. Traditional markets still have a large market segment, but are not as viable of an option for imported products because of their comparatively small size and limited storage and refrigeration space.

#### Retail Market Structure and Trends

There are approximately 4,255 retail stores in Mexico selling food and beverages, a figure that includes outlets for major retail chains, government and convenience stores, but excludes "mom and pop" shops. Net sales growth in 2002 for the four leading retailers was as follows: Wal-Mart, 13.1 percent; Comercial Mexicana, -5.9 percent; Gigante, -2 percent; and Soriana 5.8 percent. Same-store sales growth among the top four retailers dropped to one percent in 2002 from an average of 3.4 percent in 2000.

Retailers invested approximately US\$1.2 billion in 2002 to establish new outlets and increase floor space. Soriana plans to spend roughly US\$240 million in 2003. Wal-Mart expects to invest US\$615 million over the next 18 months to open 61 new outlets. Comercial Mexicana will also invest US\$119 million during the same period. Morgan Stanley expects that leading retailers will expand at a nine percent rate in 2003.

The major retailers are developing increasingly sophisticated distribution systems. Comercial Mexicana recently opened a facility north of Mexico City that is handling approximately 80 percent of its dry goods. Wal-Mart launched its newest distribution center in Monterrey in July 2003 and plans to inaugurate a 2.1 million square foot facility for frozen goods in 2004. Texas-based HEB has plans to develop a 300,000-square-foot distribution center just north of Monterrey for both perishable and dry goods. Despite advances in logistics, retail stores still depend heavily on local distributors for supplying the shelves, especially for frozen food and perishables. When delivering to a distribution center, distributors pay a fee of 2.5 to eight percent to retailers.

Supermarkets and department stores continue to provide U.S. exporters with the best points of sale. Convenience stores are potentially excellent venues for U.S. product, though most chains sell relatively few imported goods. Traditional retail stores (mom and pop stores) serve a large number of Mexican consumers but offer little potential for selling imported products.

#### Competition in supplying products to the retail sector

Local producers are the main suppliers of consumer ready products. Mexico has a relatively strong food processing industry and leading Mexican brands have well-developed national distribution networks, are well-positioned in the market and enjoy high brand awareness with consumers. Some of these companies include Grupo Industrial Bimbo (bread products) considered to have one of the country's best distribution systems, Nestle (food products in general), Herdez (food products in general), Sabritas (snack foods) Grupo Industrial Lala (dairy products) and Jugos del Valle (canned fruit juices).

There are also several American and multinational producers/importers in Mexico, including: Campbell's, Bacardi, General Mills, Gerber, Kellogg's, Kraft Foods, Procter & Gamble, Frito Lay-Pepsico, Pilgrim's Pride, Purina, and Tyson.

Competition among importers depends on the category. Competition from Europe has increased as a result of the Mexico-European Union Free Trade Agreement, although meat and dairy products were excluded from the treaty. Canada, Australia and New Zealand export notable amounts of meat and dairy products to Mexico. New Zealand butter, for instance, is well-positioned in Mexico City retailers.

Product Category	1996 (US\$000)	1997 (US\$000)	1998 (US\$000)	1999 (US\$000)	2000 (US\$000)	% Growth 99-2000	% Growth 96-2000
Meat Industry	1,723,040	1,991,942	1,992,422	2,120,066	2,440,168	15%	42%
Dairy Products	2,952,713	3,451,794	3,724,457	4,416,912	5,131,077	16%	74%
Preserved Foods	1,666,361	1,879,584	2,016,646	2,314,316	2,487,777	7%	49%
Grains and other Agricultural products	2,731,822	2,232,259	1,908,943	1,753,055	1,722,684	-2%	-37%
Bread Products	1,847,028	1,978,946	2,094,790	2,258,313	2,561,746	13%	39%
Edible Oils and Fats	2,086,266	2,009,166	2,034,145	2,000,872	1,970,172	-1.5%	-6%
Sugar	2,007,362	1,944,535	1,828,749	1,884,996	1,842,418	-2%	-8%
Cocoa, Chocolate, Confectionery	456,151	535,674	577,218	727,887	864,820	19%	90%
Other Processed Foods	2,986,349	3,409,587	3,788,678	4,428,233	4,959,330	12%	66%
Beverage Industry (soft drinks)	3,248,708	3,583,299	4,060,868	4,801,069	6,100,756	27%	88%
<b>TOTAL</b>	<b>21,705,800</b>	<b>23,016,786</b>	<b>24,026,916</b>	<b>26,705,719</b>	<b>30,080,948</b>	<b>13%</b>	<b>41%</b>

Source: INEGI, Mexico's Office of National Statistics

## Product

### *Product Characteristics*

Our company wishes to export a product we have labeled "Export Cookies."

"Export Cookies" come in a 12 oz. (340 g) box and a handy 6-cookie snack size. Due to "the increasing openness of the Mexican market, expanding affluence, and change in consumer tastes there has been an increase in snack food imports." This should prove very beneficial in the exporting and consumer acceptance of our product.

Furthermore, the NAFTA gives us, as U.S. exporters, a competitive edge in the Mexican market that other countries lack.

Due to NAFTA, few tariffs remain when exporting to Mexico; however, certain export requirements must be met, including the preparation of a Shipper's Exporter Declaration (SED) prior to exporting the product.

### *Product Packaging*

(Source: FAS Food and Agricultural Import Regulations (FAIRS) Reports - Mexico – Last version - <http://www.fas.usda.gov/gainfiles/200201/135683198.pdf>.)

Updates can be found at <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>.

The following are labeling requirements for products exported to Mexico. All label information must be in Spanish, but may also be in other languages. Specific NOM-051 requirements:

- Name or type of product and brand on primary surface of the product.
- List of ingredients, in descending order, if equal to or exceeding 5 percent of product composition including added water, and the percent content of combined additives or colors.
- Net content, or drained weight, in metric units. (Note: In Mexico, a comma is used in place of a decimal point.)
- Name and address of manufacturer or importer.

- Country of origin.
- Lot number.
- Expiration date.
- Nutritional information is optional, except for products whose labels make qualitative or quantitative nutritional claims; such as low fat, low calorie, low salt or diet. In such cases, NOM-051 requires product labeling to include the following information per portion basis per the Health Ministry's standard, NOM-086:
  - Saturated fat and cholesterol in milligrams for claim of low-fat;
  - Sodium in milligrams for claim of low-salt.
  - Sugar in milligrams for claim of low-sugar.
  - Kilocalories for claim of low-calorie.
  - Special wording when aspartame and sorbitol are used.
  - Special wording for claim of gluten-free.

Optional label information may also include "best consumed by" dating and complementary nutritional information such as vitamins and minerals expressed as a percent of the Mexican daily recommended allowance and instructions for use or preparation.

### ***Product Handling***

The following describes the product handling characteristics of Export Cookies.

- Pre-packaged.
- Non-perishable.
- No special handling require for shipping.

## **Pricing**

(Source: FAS Mexico Office, Freight Forwarder)

### ***Market Price***

Average Retail Price of Cookies In Mexico - HS Description: 19053001 - Cookie, Waffle, Wafer

Large Box	Individual Serving
25-60 pesos (\$2.77 - \$6.66)	3-4 pesos (\$ .33 - \$ .44)

### ***Pricing Strategy***

Our pricing strategy is premium quality, premium pricing.

### ***Unit Price***

Costs estimates are based on:

20-foot truck load

20 pallets per truck

54 cartons per pallet

12 boxes per carton

Trucking to Border:	\$ 400
Transloading at Border:	\$ 200
Trucking From Border to Mexico City:	\$ 2,800
Freight Forwarder Fee:	\$ 110
Documentation Fee:	\$ 30
Banking Fee:	\$ 50
Insurance:	*\$ 3,310
Total Transportation Cost:	\$ 6, 900
* 20% of CIF Value	

Transportation cost per package equals \$0.28.

FAS Mexico produces reports on border crossings. Updates can be found at <http://www.fas.usda.gov/scriptsw/attacherep/default.asp> by searching "Exporter Guides".

### ***Profit***

Market Price:	\$5.00
Minus Transportation Costs:	\$0.53
Minus 15% Distributor Fee:	\$0.60
Total Available to Cover Production, Marketing, Profit :	\$3.87

## **Market Entry**

(Source: FAS AgExporter Magazine – "Mexico: Making the Connection" - <http://www.fas.usda.gov/info/agexporter/1999/articles/mexconnect.html>.)

### ***General Strategies***

Selling directly to the Mexican market requires a great deal of effort and works best for companies that have a limited number of potential customers. Most Mexican retailers and food service companies are not set up to import directly. For these reasons, our company will employ a Mexican distributor. We will look for either a Distribution company or a Mexican food processor. This method will provide the company with control over our marketing efforts in Mexico and improve our ability to build brand identity if we used an export broker or trading company.

Most distributors in Mexico will ask to be our exclusive distributor in Mexico. Few can deliver on this promise. To cover the entire, country we will search for a distributor for each of the key regions of Mexico.

### ***Promotional Strategies***

Although our market research has indicated that Mexico is a good starting point for our export efforts, we will begin by advertising our product in the U.S. Department of Agriculture (USDA) Buyer Alert program (<http://www.fas.usda.gov/agexport/bainfo.html>), which is distributed in approximately 120 markets worldwide. Inquiries from this advertisement will help our company



determine if our market assessment is accurate, or if we should also be focusing on other markets initially. The company will:

- Answer all inquiries from foreign markets quickly.
- Participate in a USDA tradeshow in Mexico
- Use the Agent/Distributor program offered by our state regional trade group, Western United States Agricultural Trade Association (WUSATA).
- Work with WUSATA to apply for funds for marketing and promotional activities through the Branded Program.

Mexican consumers are greatly influenced by promotion and advertising, but personal contact is also important. Therefore, we will work with a Mexican distributor to conduct in-store promotions, handouts, and other forms of direct merchandising.

## Action Plan

Priority	Objective	Task	Resources	Schedule	Evaluation
1	Educate staff on exporting	Attend training seminar on exporting	\$100	8/03	Increase knowledge of exporting
2	Identify potential distributors	List company on the USDA Supplier List	Fee	8/03	Evaluate number and quality of inquiries received
3	Identify potential distributors	Purchase Foreign Buyer List from USDA	\$15	8/03	Evaluate number and quality of contacts
		Send brochure to contacts in Mexico	\$100	8/03	Evaluate number and quality of inquiries received
		Follow up with promising contacts while in Mexico for tradeshow	\$500	3/04	Narrow the field of potential distributors
4	Identify potential distributors	Submit advertisement in USDA Buyer Alert	\$15	9/03	Evaluate number and quality of inquiries received
5	Prepare packaging for Mexican market	Design label for Mexican market Print labels	\$500 \$500	9/03	Clear label with Mexican Government
6	Identify potential distributors	Purchase USDA foreign buyer list	\$15	10/03	Check percent responses generated from letters
		Send letter to all potential buyers on list	\$150		
7	Attend the ANTAD in Guadalajara, Mexico	Register for show	\$3,000	10/03	Evaluate number of qualified leads
		Prepare brochures	\$1,000	11/03	
		Send booth, materials, samples	\$500	2/04	
		Send two marketing/ sales staff members to show	\$2,000	3/04	
		Meet with USDA Agricultural Trade Office staff while attending tradeshow		3/04	
8	Select a distributor	Check references of prospective distributors (use U.S. Department of Commerce, Mexico City)	\$500	4/04	Identify the distributor to represent the company